

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 OES-03

FEA-01 INT-05 TAR-01 SS-15 NSC-05 L-03 PA-01 PRS-01

USIA-06 /106 W

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P R 131732Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9047

USMISSION USUN NEW YORK PRIORITY

INFO ALL EC CAPITALS 761

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.O. 11652: NA

TAGS: EAID, PFORGN C

SUBJECT: EC COMMISSION SENDS EC COUNCIL POLICY PAPER FOR
UN SEVENTH SPECIAL SESSION

REF: A) EC BRUSSELS 4585

B) EC BRUSSELS 5292

1. BEGIN SUMMARY: THE EC COMMISSION HAS SENT THE MEMBER STATES IT
RECOMMENDATIONS FOR THE EC POSITION AT THE SEVENTH SPECIAL SESSION
IN SEPTEMBER. IT PROPOSES THAT THE EC APPROACH BE "CONSTRUCTIVE
AND CONCILIATORY." COHESION OF THE NINE IS STRESSED IN ORDER THAT
THE EC CAN INFLUENCE THE OUTCOME. THE PROVISIONAL G-77 LIST OF
AGENDA TOPICS IS ACCEPTABLE AS A BASIS FOR DISCUSSION. RAW MATER-
IALS, TRADE, INDUSTRIAL COOPERATION AND THE TRANSFER OF FINANCIAL
RESOURCES ARE THE CENTRAL ELEMENT IN THE COMMISSION'S PRESENT-
ATION. END SUMMARY.

2. THE MISSION HAD OBTAINED, ON A CONFIDENTIAL BASIS, THE TEXT OF
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A BASIC POLICY PAPER WHICH THE EC COMMISSION HAS APPROVED AND

SENT TO THE EC COUNCIL. THE DOCUMENT OUTLINES COMMISSION THINKING ON THE GENERAL APPROACH THE COMMUNITY SHOULD TAKE TO THE UNGA SEVENTH SPECIAL SESSION IN SEPTEMBER. AND THE SPECIFIC CONTRIBUTION THE COMMISSION FEELS THE EC CAN AND SHOULD MAKE TO THE SESSION. THE PAPER WAS APPROVED BY THE COMMISSION ON JUNE 4 AND HAS BEEN GIVEN TO COREPER FOR MEMBER STATE CONSIDERATION. THIS PAPER, WHICH DEALS WITH NON-COMMODITY ISSUES, TAKEN TOGETHER WITH THE RAW MATERIALS PAPER REPORTED IN REFTEL A, REPRESENT MAJOR POLICY PRESENTATIONS IN PREPARATION FOR THE UNCTAD MID-TERM REVIEW AND APPRAISAL AND THE UNGA SEVENTH SPECIAL SESSION. THE TEXT HAS BEEN AIR POUCHED TO EUR/RPE AND USUN. HIGHLIGHTS OF THE DOCUMENTS ARE SUMMARIZED BELOW.

3. BEGIN SUMMARY OF TEXT: A BRIEF INTRODUCTORY SECTION PROVIDES ESSENTIAL BACKGROUND ON (A) THE UN DEVELOPMENT STRATEGY AND THE REVIEW AND APPRAISAL PROCEDURE, (B) THE SIXTH SPECIAL SESSION AND ITS CALL FOR A "NEW INTERNATIONAL ECONOMIC ORDER," AND (C) THE DECISION OF THE 28TH GENERAL ASSEMBLY IN 1973 TO CALL FOR THE UPCOMING SEVENTH SPECIAL SESSION.

4. THE COMMISSION REASONS THAT THE EC HAS A CONSTRUCTIVE CONTRIBUTION, PERHAPS A DECISIVE ONE, TO MAKE IN THE UPCOMING EXERCISE. THE EC IS INCREASINGLY ACTIVE IN ITS DEVELOPMENT ACTIVITIES AND ITS ROLE IN INTERNATIONAL ORGANIZATIONS IS GROWING -- CONFIRMED BY THE GRANTING OF OBSERVER STATUS IN THE GENERAL ASSEMBLY. MOREOVER, CONSTRUCTIVE PARTICIPATION IS VERY MUCH IN THE EC'S OWN INTEREST, BOTH FOR SOURCES OF SUPPLY AND OUTLETS FOR EXPORTS, ON BOTH OF WHICH THE EC IS MORE DEPENDENT ON GOOD DC-LDC RELATIONS THAN OTHER INDUSTRIALIZED COUNTRIES. TO PARTICIPATE CONSTRUCTIVELY AND SUCCESSFULLY, HOWEVER, THE EC MUST PRESENT A UNITED FRONT, AND STAY UNITED THROUGH TO THE VOTE, AS ONLY THEN WILL THE MEMBER STATES CARRY SUFFICIENT WEIGHT TO HAVE A REAL CHANCE OF INFLUENCING THE OUTCOME. LIMA AND THE UNIDO CONFERENCE ILLUSTRATE WHAT HAPPENS WHEN THIS UNITY IS NOT PRESENT. COMMUNITY COHESION SHOULD SEEK TO UPGRADE COMMON POSITIONS, NOT ALIGN DIFFERENT MEMBER STATE POSITIONS ON THE LOWEST COMMON LIMITED OFFICIAL USE

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DENOMINATOR.

5. THE CONTRIBUTION SHOULD STEM FROM A SPIRIT OF "DIALOGUE AND CONCILIATION." IT IS PARTICULARLY WELL SUITED TO PLAY THE ROLE OF MODERATOR AND HAS BY RECENT INITIATIVES SHOWN THAT IT CLEARLY OPTS FOR COOPERATION NOT CONFRONTATION. THE COMMISSION NOTES THAT ACCORDING TO INFORMATION OBTAINED RECENTLY THE LDCS SEEM TO WANT TO RESTORE

A CLIMATE WHICH IS MORE FAVORABLE TO INTERNATIONAL COOPERATION. A BREAKTHROUGH IN COOPERATION SEEMS POSSIBLE, THEREFORE, AND THE EC COULD ACT AS "THE DRIVING FORCE BEHIND WESTERN COORDINATION AND MEDIATOR VIS-A-VIS LDCS." BUT MAKING A SERIOUS EFFORT AT CONSENSUS MUST NOT BE MISINTERPRETED AS "AN ACCEPTANCE IN ADVANCE OR AT ANY PRICE OF A CONSENSUS PROCEDURE (I.E., ADOPTION OF CONCLUSIONS WITHOUT A VOTE). FORMULAE MUST BE FOUND WHICH DO NOT HIDE AREAS OF DISAGREEMENT BUT INSTEAD DELIMIT THEM CLEARLY SO THEY CAN BE TACKLED MORE EFFECTIVELY.

6. ON THE SUBSTANCE OF THE SPECIAL SESSION THE AIM SHOULD BE TO UPDATE THE UN DEVELOPMENT STRATEGY AND MAKE IT A MORE EFFECTIVE INSTRUMENT OF COOPERATION AND A METHOD OF BUILDING A "MORE EQUITABLE INTERNATIONAL ECONOMIC ORDER." NEW REALITIES SUCH AS INCREASED OIL PRICES AND G-77 SOLIDARITY MUST BE TAKEN INTO ACCOUNT. THE UPDATING MUST BE LIMITED TO AREAS IN WHICH REAL PROGRESS IS POSSIBLE - AND THE G-77 SEEM TO ACKNOWLEDGE THIS. ON SPECIFICS THE G-77 DRAFT AGENDA OF 1 MAY, IS VERY LIMITED AND SELECTIVE AND CONTAINS "A GREAT MANY PROBLEMS". NEVERTHELESS SPIRIT THE EC COULD, WITHOUT PREJUDGING THE SUBSTANCE, ACCEPT THAT THE LIST BE ADOPTED AS A WORKING HYPOTHESIS FOR DRAWING UP THE AGENDA AT THE JUNE 16-27 PREPCON. (SEE REF B).

7. TAKING LDC INTERESTS INTO CONSIDERATION IN THE MTNS, AS AGREED TO IN THE TOKYO DECLARATION, SHOULD INCLUDE PRIORITY TREATMENT (TARIFF AND NON-TARIFF) FOR TROPICAL PRODUCTS, SPECIAL EFFORTS TO DEAL WITH PROBLEMS OF TARIFF ESCALATION AGAINST PRODUCTS OF FIRST-STAGE PROCESSING AND A COMMON SEARCH FOR TARIFF SOLUTIONS AIMED AT ADAPTING OR PHASING SUCH REDUCTIONS TO THE SPECIFIC NEEDS OF THE LDCS.

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INT-05 FEA-01 TAR-01 SS-15 NSC-05 L-03 PA-01 PRS-01

USIA-06 /106 W

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P R 131732Z JUN 75

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THE COMMISSION NOTES THE COUNCIL RESOLUTION OF 3 MARCH REAFFIRMING THE EC'S DESIRE TO MAINTAIN AND IMPROVE ITS GSP. THE EC SHOULD FURTHER STATE THAT IT FAVORS EXTENSION OF ITS GSP BEYOND 1980 AND URGE OTHER DONORS TO CONSIDER SIMILAR EXTENSION.

8. INDUSTRIAL COOPERATION AND TECHNOLOGY TRANSFER: CITING THE IMPORTANT BUT AMBIGUOUS RESULTS OF UNIDO, AND THE LACK OF EC COHESION IN LIMA, THE COMMISSION URGES THAT THE COMMUNITY TAKE THE SPECIAL SESSION AS AN OPPORTUNITY TO MORE CLOSELY ASSOCIATE ITSELF WITH THE RESULTS ACHIEVED AT THE UNIDO SESSION. INDUSTRIAL COOPERATION IMPLIES A VITAL ROLE FOR FOREIGN INVESTMENT. AN APPEAL FOR A CLIMATE OF CONFIDENCE IN THE LDCS IS NOT ENOUGH. MEASURES ARE NEEDED ON BOTH SIDES TO BRING LDC REQUIREMENTS AND BUSINESS INTERESTS INTO LINE WITH ONE ANOTHER. GOVERNMENT HAS A ROLE TO PLAY HERE. LDCS OFTEN CANNOT COPE WITH LARGE TRANS-NATIONAL FIRMS. THEY SHOULD BE HELPED IN PREVENTING DOMINANT POSITIONS FROM BEING ABUSED, JUST AS THE DCs DO

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WITH ANTI-TRUST MEASURES ENCOURAGING THE FREE PLAY OF COMPETITION.

9. INDUSTRIAL PROMOTION AND COOPERATION SHOULD BE ENCOURAGED. IMPROVEMENTS ARE NEEDED IN THE SYSTEM TO PROVIDE FOR RECIPROCAL INFORMATION ON FORESEEABLE TRENDS, AT LEAST IN SOME MAJOR INDUSTRIAL SECTORS, TO AVOID RISKS OF OVER-CAPACITY OR BOTTLENECKS (TAKING ACCOUNT OF THE LIMITS SET BY THE MARKET-ECONOMY SYSTEM). UNIDO COULD PLAY A USEFUL ROLE

HERE.

10. THE EC AND ITS MEMBER STATES SHOULD PROMOTE TRILATERAL ARRANGEMENTS UTILIZING THE SURPLUS FINANCIAL RESOURCES NOW APPEARING IN CERTAIN LDCS, COUPLED WITH EC CONTRIBUTIONS OF TECHNOLOGY, MANAGEMENT AND TRAINING, ALONG WITH THE AW MATERIALS AND MANPOWER RESOURCES OF THE LDCS WHO CAN ACT AS HOSTS OF THE NEW INDUSTRIAL VENTURES.

11. ON TRANSFER OF TECHNOLOGY THE COMMISSION FEELS THAT THE EC AND ITS MEMBER STATES SHOULD STATE AT THE SPECIAL SESSION THAT THEY WILL ACTIVELY PURSUE EFFORTS TO ACHIEVE AN INTERNATIONAL CODE OF CONDUCT ON TECHNOLOGICAL TRANSFER WITHIN UNCTAD AND, ALTHOUGH SUCH A CODE CANNOT BE BINDING, WILL DO THEIR BEST TO ENSURE ITS OBSERVANCE.

12. IN RETURN FOR ALL THIS THE EC IS ENTITLED TO INSIST THAT THE LDCS PROVIDE A WELCOME, I.E., "STABLE WORKING CONDITIONS" FOR FOREIGN FIRMS. SUCH A CLIMATE OF CONFIDENCE, THE COMMISSION REASONS, WOULD REMOVE THE CAUSE OF MUCH OF THE PROBLEM OF LACK OF REAL COMMITMENT BY FOREIGN FIRMS AND, WHEN THEY DO COMMIT THEMSELVES, THE REASON FOR EXCESSIVE PROFITS.

13. TRANSFER OF FINANCIAL RESOURCES: THIS LAST SECTION OF THE COMMISSION PAPER URGES THE EC TO RECONFIRM ITS COMMITMENT OF JULY 1974 TO ATTAIN THE 0.7 PERCENT OF GNP OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TARGET SET BY THE UN DEVELOPMENT STRATEGY AND INSULATE THIS FLOW FROM BUDGETARY OR BALANCE OF PAYMENTS THREATS. THE COMMISSION FEELS IT PREMATURE TO DISCUSS REFORMULATION OF THE ODA TARGET AS LONG AS THE PREVIOUSLY-ESTABLISHED TARGET HAS NOT BEEN LIMITED OFFICIAL USE

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MET.

14. ODA NEEDS TO BE REORIENTED TOWARDS THE LEAST-DEVELOPED AND THE EC COULD TAKE THE INITIATIVE IN PROPOSING A SPECIFIC INTERNATIONAL OBJECTIVE. QUALITATIVELY, ODA SHOULD FOCUS ON LDC FOOD REQUIREMENTS AND RURAL DEVELOPMENT. THE EC SHOULD STATE ITS INTENTION TO CONTINUE ITS FOOD AID PROGRAM AND TO INCREASE THE VOLUME AND RANGE OF PRODUCTS SUPPLIED. ALSO, THE EC SHOULD INDICATE THAT IT IS STUDYING WHETHER AND UNDER WHAT CONDITIONS THE EC COULD CONTRIBUTE TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT.

15. THE COMMISSION URGES A POSITIVE POSITION TOWARDS THE IBRD PROPOSAL FOR A "THIRD WINDOW" AND CONSIDERS THAT THE MEMBER STATES SHOULD BE PREPARED TO MAKE APPROPRIATE CONTRIBUTIONS TO THE SPECIAL FUND SET UP BY THE IMF TO REDUCE

THE INTEREST BURDEN WHICH THE LEAST-DEVELOPED HAVE TO BEAR
UNDER THE "OIL FACILITY." THE COMMISSION URGES THE MEMBER
STATES TO PUSH FOR AN EARLY POSITIVE DECISION ON THE
QUESTION OF A LINK BETWEEN SDRS AND DEVELOPMNT AID,
COMPATIBLE WITH THE MEASURES CURRENTLY UNDER DISCUSSION BY
THE IFM FOR IMPROVING THE FUNCTIONING OF THE INTERNATIONAL
MONETARY SYSTEM.LASTLY IMF QUOTAS FOR LDCS WHICH ARE
NOT EXPORTERS OF OIL MUST BE DOUBLED AS A PERCENTAGE AND
THOSE OF THE OTHER LDCS MAINTAINED, THUS REDUCING DC
QUOTAS AND INCREASING VOTING RIGHTS OF THE LDCS AS A WHILE.
END SUMMARY OF TEXT. GREENWALS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RAW MATERIALS, POLICIES, LESS DEVELOPED COUNTRIES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU05310
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750207-0425
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750649/aaaabskf.tel
Line Count: 288
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 4585
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2003 by BoyleJA>; APPROVED <22 SEP 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION SENDS EC COUNCIL POLICY PAPER FOR UN SEVENTH SPECIAL SESSION
TAGS: EAID, PFOR
To: STATE USUN NEW YORK
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006